

remittance will be made no later than 10 days after receipt of such a payment.

(ii) Subject to the waiver in paragraph (f)(2)(iii) of this section, each obligor on a security pledged by a depository pursuant to this section, upon notification that Treasury is entitled to any payment associated with that pledged security, must make each payment of principal and/or interest due with respect to such security directly to the FRB, as Fiscal agent of the United States.

(iii) The requirements of paragraphs (f)(2)(i) and (ii) of this section are hereby waived for only so long as a pledging depository avoids both termination from the program under § 203.7 and also those circumstances identified in paragraph (f)(1) which may lead to the collection of the proceeds of collateral or the waiver is otherwise terminated by Treasury.

## PART 204 [RESERVED]

## PART 205—RULES AND PROCEDURES FOR EFFICIENT FEDERAL-STATE FUNDS TRANSFERS

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## Subpart C [Reserved]

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3332, 3335, 6501, 6503.

SOURCE: 67 FR 31885, May 10, 2002, unless otherwise noted.

### § 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to:

(1) All States as defined in § 205.2; and

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(2) All Federal program agencies, except the Tennessee Valley Authority (TVA) and its Federal assistance programs.

(b) Only programs listed in the Catalog of Federal Domestic Assistance, as established by Chapter 61 of Title 31, United States Code (U.S.C) are covered by this part.

(c) This part does not apply to:

(1) Payments made to States acting as vendors on Federal contracts, which are subject to the Prompt Payment Act of 1982, as amended, 31 U.S.C. 3901 *et seq.*, 5 CFR part 1315, and 48 CFR part 32; or

(2) Direct loans from the Federal government to States.

### § 205.2 What definitions apply to this part?

For purposes of this part:

*Administrative costs* means expenses incurred by a State associated with managing a Federal assistance program. This term includes indirect costs.

*Auditable* means records must be retained to allow for calculations outlined in the Treasury-State agreements to be reviewed and replicated for compliance purposes. States must maintain these records to be readily available, fully documented, and verifiable.

*Authorized State official* means a person with the authority under the laws of a State to make commitments on behalf of the State for the purposes of this part, or that person's official designee as certified in writing.

*Business day* means a day when Federal Reserve Banks are open.

*Catalog of Federal Domestic Assistance (CFDA)* means the government-wide list of Federal assistance programs, projects, services, and activities which provide assistance or benefits to the American public. The listing includes financial and non-financial Federal assistance programs administered by agencies of the Federal government.

*Clearance pattern* means a projection showing the daily amount subtracted from a State's bank account each day after the State makes a disbursement. For example, a State mailing out benefit checks may project that the percentage of checks cashed each day will be 0% for the first day, 10% for the sec-

ond day, 80% on the third day, and 10% on the fourth day following issuance. Clearance patterns are used to schedule the transfer of funds with various funding techniques and to support interest calculations.

*Compensating balance* means funds maintained in State bank accounts and/or State Treasurer bank accounts to offset the costs of bank services.

*Current project cost* means a cost for which the State has recorded a liability on or after the day that the State last requested funds for the project.

*Day* means a calendar day unless otherwise specified.

*Default procedures* means efficient cash management practices that we prescribe for Federal funds transfers to a State if a Treasury-State agreement is not in place.

*Disburse* means to issue a check or initiate an electronic funds transfer payment, or to provide access to benefits through an electronic benefits transfer.

*Discretionary grant project* means a project for which a Federal Program Agency is authorized by law to exercise judgment in awarding a grant and in selecting a grantee, generally through a competitive process.

*Dollar-weighted average day of clearance* means the day when, on a cumulative basis, 50 percent of funds have been paid out. To calculate the dollar-weighted average day of clearance for a clearance pattern:

(1) For each day, multiply the percentage of dollars paid out that day by the number of days that have elapsed since the payments were issued. For example, on the first day payments were issued, multiply the percentage of dollars paid out on that day by zero, since zero days have elapsed. On the day after payments were issued, multiply the percentage of dollars paid out on that day by one, since one day has elapsed; and so forth.

(2) Total the results from paragraph (1) of this definition. Round to the nearest whole number. This is the dollar-weighted average day of clearance.

*Draw down* (verb) means a process in which a State requests and receives Federal funds.